

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Springport	County Jackson
Fiscal Year End February 28, 2006	Opinion Date May 1, 2006	Date Audit Report Submitted to State September 12, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Willis & Jurasek, P.C.		Telephone Number (517) 788-8660	
Street Address 2545 Sping Arbor Road, Suite 200		City Jackson	State MI
Zip 49203			
Authorizing CPA Signature <i>F. Roger Mack, CPA</i>	Printed Name F. Roger Mack	License Number 1101020342	

# **Village of Springport**

Financial Statements  
And Independent Auditors' Report

Year Ended February 28, 2006

## **Table of Contents**

	<b><u>Page</u></b>
<b>Independent Auditors' Report</b> .....	i-ii
<b>Report Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b> .....	iii
<b>Management Discussion and Analysis</b> .....	iv-ix
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets .....	1
Statement of Activities .....	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	2
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	6
Statement of Net Assets – Proprietary Funds .....	7
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	8
Statement of Cash Flows – Proprietary Funds .....	9
Statement of Fiduciary Funds .....	10
Notes to Financial Statements .....	11–21
<b>Required Supplemental Information:</b>	
Statement of Revenues, Expenditures and Changes in Fund Balances Budget to Actual – General Fund and Major Special Revenue Funds .....	22-24
<b>Other Supplemental Information:</b>	
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	25
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	26
Schedule of Bonded Indebtedness .....	27-29



## **Independent Auditors' Report**

Members of the Village Council  
Village of Springport  
Springport, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Springport as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Springport as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management and discussion analysis and budgetary comparison information, as listed in the table of contents, is not a required part of the financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 1, 2006, on our consideration of the Village's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

---

### **WILLIS & JURASEK, P.C.**

2545 Spring Arbor Road  
Post Office Box 39  
Jackson, Michigan 49204-0039

Phone Number: (517) 788-8660  
Fax Number: (517) 788-9872  
E-mail: [willis@willispc.com](mailto:willis@willispc.com)  
Web site: [www.willispc.com](http://www.willispc.com)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Springport's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Willis & Jurasek, P.C.

May 1, 2005



**Report Based on an Audit of Financial Statements  
Performed in Accordance With  
Government Auditing Standards**

Members of the Village Council  
Village of Springport  
Springport, Michigan

We have audited the financial statements of the Village of Springport as of and for the year ended February 28, 2006, and have issued our report thereon dated May 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

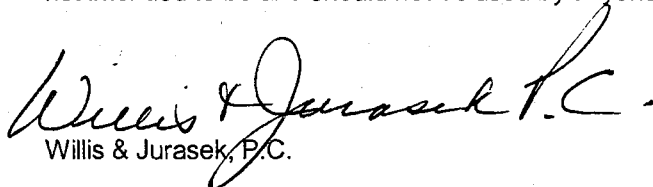
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Springport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Springport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Village Council, management, and State agencies, and is not intended to be and should not be used by anyone other than those specified.

  
Willis & Jurasek, P.C.

May 1, 2006

---

**WILLIS & JURASEK, P.C.**

2545 Spring Arbor Road  
Post Office Box 39  
Jackson, Michigan 49204-0039

**Village of Springport**  
Management's Discussion and Analysis  
Year Ended February 28, 2006

As management of the **Village of Springport**, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2006.

**The Village as a Whole**

The Village's net assets remain stable, and in fact, are on the rise. The Village continues to provide primary services to our residents.

Governmental and Business type activities during the past year include major renovation to our water supply system. The Village has now taken possession of the \$3.342 million dollar water project. With a new meter reading system in place, business activities have increased and rate increases have added to our economy. We now have increased capacity in the Village for community growth. The amount funded through bonds was \$1.053 million dollars, while grants of \$2.289 million dollars from the federal government allowed our assets to remain healthy.

Currently, we are undergoing a face-lift within the Village. As the Village is directly on M-99, MDOT is upgrading our storm water system and paving within the Village limits. While doing same, they are doing a streetscape project on our Main block. This will consist of decorative street lighting, colored/textured concrete sidewalks and crosswalks, shade trees with tree grates, handicap-accessible store entrances and park benches. The projected cost of this is \$422,053.00, payable by \$308,099 in federal funds, \$84,410 from MDOT and \$29,544 from the Village. Other areas of improvement including paving, curbs, gutters and sidewalks are funded solely by MDOT.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include legislative, general government, public works and community and economic development. the business-type activities are water and sewer.

The government-wide financial statements can be found on pages 1-2 of this report.

**Village of Springport**  
Management's Discussion and Analysis  
Year Ended February 28, 2006

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street and local street, each of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

**Proprietary funds.** The Village maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sanitary sewer and water distribution. *Internal service funds* account for operations that provide services for equipment rental and accumulate and allocate costs internally among the Village's various functions. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for two major enterprise funds; water, and sewer.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.



**Village of Springport**  
Management's Discussion and Analysis  
Year Ended February 28, 2006

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 10 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-21 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other information. This includes combining fund financial statements and schedules, which can be found on pages 25-26 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Springport, assets exceeded liabilities by \$3,659,940 at the close of the most recent fiscal year.

By far the largest portion of the Village's net assets, about eight-nine percent (89%), reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In a condensed format, the table below shows net assets as of the current date:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current Assets	\$ 274,765	\$ 256,846	\$ 147,106	\$75,790
Non-Current Assets	205,483	197,909	4,777,576	4,501,636
Total Assets	<u>480,248</u>	<u>454,755</u>	<u>4,924,682</u>	<u>4,577,426</u>
Current Liabilities	11,983	6,878	36,197	22,730
Non-current Liabilities	16,674	17,319	1,680,136	1,755,593
Total Liabilities	<u>28,657</u>	<u>24,197</u>	<u>1,716,333</u>	<u>1,761,004</u>
Net assets:				
Invested in capital assets - net of related debt	188,809	180,590	3,080,775	2,739,321
Restricted	24,550	-	40,435	55,483
Unrestricted	<u>238,222</u>	<u>249,968</u>	<u>87,139</u>	<u>21,618</u>
Total net assets	<u>\$ 451,591</u>	<u>\$ 430,558</u>	<u>\$3,208,349</u>	<u>\$2,816,422</u>

**Village of Springport**  
Management's Discussion and Analysis  
Year Ended February 28, 2006

The following table shows the changes of the net assets as of the current date.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program Revenues				
Charges for services	\$ 6,287	\$ 209	\$ 323,356	\$ 306,700
Capital grants and contributions	-	-	342,221	1,906,722
Operating grants	46,607	48,291	-	-
General revenues				
Property taxes	96,144	101,091	-	-
State-shared revenue	91,991	93,176	-	-
Interest income	2,227	785	758	170
Other	<u>15,837</u>	<u>34,813</u>	<u>10,166</u>	<u>14,857</u>
Total revenues	<u>259,093</u>	<u>278,365</u>	<u>676,501</u>	<u>2,228,449</u>
Program expenses:				
Legislative	8,451	8,327	-	-
General government	85,229	77,982	-	-
Public works	143,945	129,739	-	-
Community development	435	271	-	-
Water and sewer	<u>-</u>	<u>-</u>	<u>284,575</u>	<u>325,653</u>
Total expenses	<u>238,060</u>	<u>216,319</u>	<u>284,575</u>	<u>325,653</u>
Change in net assets	<u>\$ 21,033</u>	<u>\$ 62,046</u>	<u>\$ 391,926</u>	<u>\$1,902,796</u>

The Village's net assets continue to remain healthy.

**Governmental Activities**

The Village total revenues have decreased slightly due to decrease in state shared revenues and property taxes. Interest rates are slowly returning and we have been able to get more rate of return on investments. Every effort is made to carefully budget our available funds and we have been able to increase our assets, as well as maintain a stable cash flow.

**Business Type Activities**

The Village's business-type activities consist of the Water and Waste Water Enterprise Funds. The Village provides water and sewer to approximately 99% of the Village residents. Our Wastewater is stable at this time; but due to previous law suits our fund balance is low. Our method of discharge from the lagoons may become an issue in 5 to 10 years and we may need to add another lagoon at some point. The water system is now complete, including a new water tank. Increases in water rates have generated increased income, but we are looking to increase our population to decrease rates for everyone.

**Village of Springport**  
Management's Discussion and Analysis  
Year Ended February 28, 2006

**General Fund Budgetary Highlights**

Over the course of the year, approximately quarterly, Village Council amends the budget to take into account events happening during the year.

**Capital Asset and Debt Administration**

At the end of the 2005/2006 fiscal year, the Village has a total investment of capital assets for its governmental and business-type activities as of February 28, 2006 of \$4,983,059, which is made up of a broad range of capital assets, including buildings, water and sewer structures, both above and below ground, and significant investments in streets.

Major capital asset events during the current fiscal year included the following:

- Continued work on water system improvements of \$350,617.
- Additions to the internal service fund equipment of \$30,449 for computer system and copier.

The following table summarizes the fixed assets of the Village as of the current year end:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Machinery and equipment	\$ 331,022	\$ 300,573	\$ 19,138	\$ 19,138
Distribution and collection systems	-	-	2,356,228	2,309,293
Infrastructure	147,779	147,779	-	-
Construction in progress	-	-	3,193,919	2,890,237
Accumulated depreciation	<u>(273,318)</u>	<u>(250,443)</u>	<u>(791,709)</u>	<u>(741,073)</u>
Net capital assets	<u>\$ 205,483</u>	<u>\$ 197,909</u>	<u>\$4,777,576</u>	<u>\$4,477,595</u>

Most of the indebtedness is chargeable to the Business type activities.

The following table summarized the debt outstanding at the current year end:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenue bonds	\$ -	\$ -	\$1,680,136	\$1,738,274
Installment purchase agreements	<u>16,674</u>	<u>17,320</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>\$ 16,674</u>	<u>\$ 17,320</u>	<u>\$1,680,136</u>	<u>\$1,738,274</u>

The Village's total debt decreased by \$58,784.

**Village of Springport**  
Management's Discussion and Analysis  
Year Ended February 28, 2006

**Economic Factors and Next Year's Budgets and Rates**

For several years, the Village has not seen an increase in property taxes. In the interest of attracting new economic development to the Village, and the fact that our tax rates are already substantial, we decline to raise our tax rates. We do this hoping that we will attract more economic growth over time. Also, as some of the older residents sell their property, the tax basis increases will bring additional revenue.

In addition, the Village is in the process of establishing a DDA. Once this is in place, it will be used in processes that will hopefully promote economical growth.

We have recently been able to contract with Cingular Cell and have leased our water tank space for 25 years. This will generate approximately \$12,000 per year, with increases every five years. Over the course of 25 years, we anticipate it will generate over \$250,000 in revenue.

**Contacting the Village Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village office.

**Village of Springport**  
**Statement of Net Assets**  
February 28, 2006

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 201,981	\$ 105,073	\$ 307,054
Receivables	28,694	57,293	85,987
Internal balances	44,090	(38,554)	5,536
Deferred charges	-	23,294	23,294
Capital assets, net			
Not being depreciated	-	3,193,919	3,193,919
Being depreciated	<u>205,483</u>	<u>1,583,657</u>	<u>1,789,140</u>
Total assets	<u>480,248</u>	<u>4,924,682</u>	<u>5,404,930</u>
<b>Liabilities:</b>			
Accounts payable	10,521	18,717	29,238
Accrued expenses	1,462	815	2,277
Accrued interest	-	16,665	16,665
Noncurrent liabilities:			
Due within one year	8,870	64,138	73,008
Due in more than one year	<u>7,804</u>	<u>1,615,998</u>	<u>1,623,802</u>
Total liabilities	<u>28,657</u>	<u>1,716,333</u>	<u>1,744,990</u>
<b>Net Assets:</b>			
Invested in capital assets,			
net of related debt	188,809	3,080,775	3,269,584
Restricted for debt service	-	40,435	40,435
Restricted for capital projects	24,550	-	24,550
Unrestricted	<u>238,232</u>	<u>87,139</u>	<u>325,371</u>
Total net assets	<u>\$ 451,591</u>	<u>\$ 3,208,349</u>	<u>\$ 3,659,940</u>

**Village of Springport**  
Statement of Activities  
Year Ended February 28, 2006

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges	Operating		Capital	Governmental	Business-Type
		for Services	Contributions	Contributions	Activities	Activities
Expenses						Total
<b>Primary Government</b>						
Governmental activities:						
Legislative	\$ 8,451	\$ 87	\$ -	\$ -	\$ (8,364)	\$ -
General government	85,229	-	-	-	(85,229)	-
Public works	143,945	6,200	46,607	-	(91,138)	-
Recreation and culture	435	-	-	-	(435)	-
Total governmental activities	238,060	6,287	46,607	-	(185,166)	-
<b>Business-type activities:</b>						
Water	133,316	191,052	-	303,700	-	361,436
Sewer	151,259	132,304	-	38,521	-	19,566
Total business-type activities	284,575	323,356	-	342,221	-	381,002
Total primary government	\$ 522,635	\$ 329,643	\$ 46,607	\$ 342,221	\$ (185,166)	\$ 195,836
<b>General revenues:</b>						
Property taxes				96,144	-	96,144
State shared revenue				91,991	-	91,991
Interest and investment earnings				2,227	758	2,985
Other revenues				15,837	10,166	26,003
Total general revenues				206,199	10,924	217,123
<b>Changes in Net Assets</b>				21,033	391,926	412,959
<b>Net Assets - Beginning of Year</b>				430,558	2,816,423	3,246,981
<b>Net Assets - End of Year</b>				\$ 451,591	\$ 3,208,349	\$ 3,659,940

See Notes to Financial Statements.

**Village of Springport**

## Balance Sheet

## Governmental Funds

February 28, 2006

	General	Major Street	Local Street	Other Nonmajor Governmental Funds	Total
<b><u>Assets</u></b>					
Cash	\$ 83,332	\$ 12,228	\$ 6,462	\$ 30,331	\$ 132,353
Short-term investments	-	-	-	37,071	37,071
Receivables:					
Taxes receivable	6,889	-	-	-	6,889
Accounts receivable	717	-	-	-	717
Special assessments	1,308	-	-	-	1,308
Due from other governmental units	11,370	6,496	1,914	-	19,780
Due from other funds	46,983	684	-	-	47,667
Total assets	<u>\$ 150,599</u>	<u>\$ 19,408</u>	<u>\$ 8,376</u>	<u>\$ 67,402</u>	<u>\$ 245,785</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts payable	\$ 2,061	\$ -	\$ -	\$ 21	\$ 2,082
Due to other funds	104	777	1,095	189	2,165
Salaries payable	<u>1,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,305</u>
Total liabilities	<u>3,470</u>	<u>777</u>	<u>1,095</u>	<u>210</u>	<u>5,552</u>
Fund Balances:					
Reserved:					
Perpetual care and endowment	-	-	-	42,642	42,642
Unreserved;undesignated	147,129	18,631	7,281	-	173,041
Unreserved;undesignated- reported in nonmajor:					
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,550</u>	<u>24,550</u>
Total fund balances	<u>147,129</u>	<u>18,631</u>	<u>7,281</u>	<u>67,192</u>	<u>240,233</u>
Total liabilities and fund balances	<u>\$ 150,599</u>	<u>\$ 19,408</u>	<u>\$ 8,376</u>	<u>\$ 67,402</u>	<u>\$ 245,785</u>

## Village of Springport

### Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets February 28, 2006

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 240,233</b>
---	-------------------

Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds.

The cost of the capital assets is

\$ 478,801

Accumulated depreciation is

(273,318)

205,483

Internal service funds are used by management to charge the costs of certain  
equipment usage and administrative costs to individual governmental funds.  
The assets and liabilities of the internal service funds are included in governmental  
activities in the Statement of Net Assets.

Net assets of governmental activities accounted for in the internal service fund

22,549

Long-term liabilities not due and payable in the current period  
and not reported in the funds:

Notes and leases payable

(16,674)

**Total Net Assets - Governmental Activities**

**\$ 451,591**



**Village of Springport**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended February 28, 2006

	General	Major Street	Local Street	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
Taxes	\$ 90,478	\$ -	\$ -	\$ 5,666	\$ 96,144
Fees and fines	87	-	-	-	87
Charges for services	-	-	-	6,200	6,200
Intergovernmental	91,991	36,001	10,606	-	138,598
Interest	1,218	192	65	243	1,718
Other	5,332	-	-	343	5,675
Total revenues	<u>189,106</u>	<u>36,193</u>	<u>10,671</u>	<u>12,452</u>	<u>248,422</u>
<b>Expenditures:</b>					
Legislative	8,451	-	-	-	8,451
General government	68,007	-	-	17,222	85,229
Public works	76,461	30,431	29,658	6	136,556
Culture and recreation	435	-	-	-	435
Total expenditures	<u>153,354</u>	<u>30,431</u>	<u>29,658</u>	<u>17,228</u>	<u>230,671</u>
<b>Revenues Over (Under) Expenditures</b>	<u>35,752</u>	<u>5,762</u>	<u>(18,987)</u>	<u>(4,776)</u>	<u>17,751</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	-	15,159	24,988	40,147
Operating transfers out	<u>(29,988)</u>	<u>(10,159)</u>	<u>-</u>	<u>-</u>	<u>(40,147)</u>
Total other financing sources (uses)	<u>(29,988)</u>	<u>10,159</u>	<u>15,159</u>	<u>24,988</u>	<u>-</u>
<b>Changes in Fund Balances</b>	5,764	(4,397)	(3,828)	20,212	17,751
<b>Fund Balances - Beginning of Year</b>	<u>141,365</u>	<u>23,028</u>	<u>11,109</u>	<u>46,980</u>	<u>222,482</u>
<b>Fund Balances - End of Year</b>	<u>\$ 147,129</u>	<u>\$ 18,631</u>	<u>\$ 7,281</u>	<u>\$ 67,192</u>	<u>\$ 240,233</u>

**Village of Springport**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended February 28, 2006

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 17,751</b>
---	------------------

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the  
Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	\$ (7,389)	
Capital outlay	<u>-</u>	(7,389)

An internal service fund is used by management to charge the costs of  
certain equipment usage to individual governmental funds. The net revenue  
(expense) of the fund attributable to those funds is reported with  
governmental activities.

Change in net assets from governmental activities in the internal service fund	<u>10,671</u>
--	---------------

<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 21,033</u></b>
--	-------------------------

**Village of Springport,**  
Statement of Net Assets  
Proprietary Funds  
February 28, 2006

	<b>Business-Type Activities</b>			<b>Governmental Activities</b>
	<b>Enterprise Funds</b>			<b>Internal Service Fund</b>
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 58,630	\$ 46,443	\$ 105,073	\$ 32,557
Accounts receivable	16,926	21,667	38,593	-
Grants receivable	18,700	-	18,700	-
Due from other funds	2,994	-	2,994	-
Total current assets	<u>97,250</u>	<u>68,110</u>	<u>165,360</u>	<u>32,557</u>
Property, plant and equipment:				
Construction in progress	3,193,919	-	3,193,919	-
Distribution and collection system	366,424	2,008,942	2,375,366	-
Buildings and equipment	-	-	-	331,022
Less accumulated depreciation	<u>(249,165)</u>	<u>(542,544)</u>	<u>(791,709)</u>	<u>(262,235)</u>
Total property, plant and equipment	<u>3,311,178</u>	<u>1,466,398</u>	<u>4,777,576</u>	<u>68,787</u>
Deferred charges:				
Unamortized bond discount	<u>12,838</u>	<u>10,456</u>	<u>23,294</u>	<u>-</u>
Total assets	<u>3,421,266</u>	<u>1,544,964</u>	<u>4,966,230</u>	<u>101,344</u>
<b>Liabilities:</b>				
Current liabilities (payable from current assets):				
Accounts payable	18,717	-	18,717	8,439
Accrued expenses	375	440	815	157
Current portion of long-term debt	11,000	53,138	64,138	8,870
Accrued interest	7,824	8,841	16,665	-
Due to other funds	<u>244</u>	<u>41,304</u>	<u>41,548</u>	<u>1,412</u>
Total current liabilities (payable from current assets)	<u>38,160</u>	<u>103,723</u>	<u>141,883</u>	<u>18,878</u>
Noncurrent liabilities:				
Bonds and notes payable	<u>1,022,000</u>	<u>593,998</u>	<u>1,615,998</u>	<u>7,804</u>
Total noncurrent liabilities	<u>1,022,000</u>	<u>593,998</u>	<u>1,615,998</u>	<u>7,804</u>
Total liabilities	<u>1,060,160</u>	<u>697,721</u>	<u>1,757,881</u>	<u>26,682</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	2,270,354	810,421	3,080,775	52,113
Restricted	-	40,435	40,435	-
Unrestricted	<u>90,752</u>	<u>(3,613)</u>	<u>87,139</u>	<u>22,549</u>
Total net assets	<u>\$ 2,361,106</u>	<u>\$ 847,243</u>	<u>\$ 3,208,349</u>	<u>\$ 74,662</u>

See Notes to Financial Statements.

**Village of Springport**  
Statement of Revenues, Expenses  
and Changes in Net Assets  
Proprietary Funds  
Year Ended June, 2006

				<b>Governmental Activities</b>
				<b>Internal Service Funds</b>
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>	
<b>Operating Revenues:</b>				
Charges for services	\$ 189,369	\$ 129,259	\$ 318,628	\$ 79,396
Interest and penalties	1,683	1,545	3,228	-
Connection fees	-	1,500	1,500	-
Total operating revenues	<u>191,052</u>	<u>132,304</u>	<u>323,356</u>	<u>79,396</u>
<b>Operating Expenses:</b>				
Personnel services	46,991	21,902	68,893	14,153
Payroll taxes	4,156	2,053	6,209	2,576
Employee benefits	12,595	5,052	17,647	4,251
Professional services	4,427	10,853	15,280	2,305
Utilities	12,347	13,250	25,597	-
Repairs and maintenance	1,769	3,046	4,815	10,139
Insurance and bonds	3,062	1,498	4,560	3,932
Operating supplies	5,596	770	6,366	2,600
Licenses and fees	2,800	-	2,800	-
Fuel and oil	-	-	-	9,597
Conferences	691	240	931	-
Memberships and dues	558	-	558	-
Mileage and travel	410	565	975	69
Office supplies	1,102	1,058	2,160	-
Equipment rent	23,300	19,120	42,420	-
Lab analysis	902	5,660	6,562	-
Miscellaneous	2,555	2,198	4,753	6,074
Depreciation and amortization	9,964	41,419	51,383	15,486
Total operating expenses	<u>133,225</u>	<u>128,684</u>	<u>261,909</u>	<u>71,182</u>
<b>Operating Income (Loss)</b>	<u>57,827</u>	<u>3,620</u>	<u>61,447</u>	<u>8,214</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	507	251	758	509
Tax assessment collections	1,687	38,521	40,208	-
Other income	5,451	3,028	8,479	2,900
Interest expense	(91)	(22,575)	(22,666)	(952)
Capital grants	303,700	-	303,700	-
Total nonoperating revenues (expenses)	<u>311,254</u>	<u>19,225</u>	<u>330,479</u>	<u>2,457</u>
<b>Change in Net Assets</b>	369,081	22,845	391,926	10,671
<b>Net Assets - Beginning of Year</b>	<u>1,992,025</u>	<u>824,398</u>	<u>2,816,423</u>	<u>63,991</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,361,106</u>	<u>\$ 847,243</u>	<u>\$ 3,208,349</u>	<u>\$ 74,662</u>

See Notes to Financial Statements.

**Village of Springport**  
Statement of Cash Flows  
Enterprise Funds  
Year Ended February 28, 2006

	Business-type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>	
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers, residents and users	\$ 193,528	\$ 132,845	\$ 326,373	\$ 79,396
Payments to suppliers	(76,710)	(68,414)	(145,124)	(34,875)
Payments to employees	(48,384)	(22,250)	(70,634)	(14,508)
Cash paid to other funds	(1,072)	(20,310)	(21,382)	4,611
Net cash provided by (used in) operating activities	<u>67,362</u>	<u>21,871</u>	<u>89,233</u>	<u>34,624</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Capital contributions	303,700	-	303,700	-
Proceeds from borrowing	-	-	-	11,449
Purchase of capital assets, net	(350,617)	-	(350,617)	(30,449)
Principal and interest on capital debt	(10,091)	(70,713)	(80,804)	(13,047)
Net cash used by capital and related financing activities	<u>(57,008)</u>	<u>(70,713)</u>	<u>(127,721)</u>	<u>(32,047)</u>
<b>Cash Flows From Investing Activities:</b>				
Other nonoperating income received	7,138	41,549	48,687	2,900
Interest income received	507	251	758	509
Net cash provided by investing activities	<u>7,645</u>	<u>41,800</u>	<u>49,445</u>	<u>3,409</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	17,999	(7,042)	10,957	5,986
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>40,631</u>	<u>53,485</u>	<u>94,116</u>	<u>26,571</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 58,630</u>	<u>\$ 46,443</u>	<u>\$ 105,073</u>	<u>\$ 32,557</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ 57,827	\$ 3,620	61,447	\$ 8,214
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	9,964	41,419	51,383	15,486
Changes in:				
Accounts receivable	(16,224)	541	(15,683)	-
Due from other funds	140	-	140	3,365
Accounts payable	17,885	(3,492)	14,393	6,511
Accrued expenses	(1,018)	93	(925)	(198)
Due to other funds	(1,212)	(20,310)	(21,522)	1,246
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 67,362</u>	<u>\$ 21,871</u>	<u>\$ 89,233</u>	<u>\$ 34,624</u>

See Notes to Financial Statements.

**Village of Springport**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
February 28, 2006

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>5,352</u>
<b>Liabilities:</b>	
Advance due other funds	\$ 5,536
Due to other agencies	<u>(184)</u>
 Total liabilities	 \$ <u>5,352</u>

**Village of Springport**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies**

**Description of Village Operations**

The Village of Springport, Michigan, was organized in 1882 and is located in the northwestern portion of Jackson County. The Village operates under a Council form of government and provides various services to its residents in many areas including community enrichment and development, human services and water and sewer. The criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Education services are provided through the local school system, which is a separate governmental entity and, therefore, is not represented in the financial statements included herein.

**Reporting Entity**

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the entity does not contain component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Village of Springport**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Government-Wide and Fund Financial Statements (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Fund-Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

**General Fund** – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Major Street Fund** – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the Village.

**Local Street Fund** – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the local street functions of the Village.



**Village of Springport**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

The government reports the following nonmajor funds:

**Cemetery Operations Fund** – This fund accounts for resources received from special assessment taxes levied for cemetery operations.

**Cemetery Trust Fund** – This fund accounts for resources received from the sale of cemetery lots for the purpose of providing capital improvements needed in the Village cemetery.

**Capital Improvements Fund** – This fund accounts for resources received from the general fund earmarked for public improvements.

The government reports the following major proprietary funds:

**Water Fund** – The Water Fund accounts for the activities of the government's water production, purification, and distribution systems.

**Sewer Fund** – The Sewer Fund accounts for the activities of the government's sewage collection and treatment systems.

Additionally, the government reports the following fund types:

**Equipment Internal Service Funds** – The internal service funds account for operations that provide services (equipment rental) to other departments of the Village on a cost-reimbursement basis.

The Village reports the following Fiduciary Funds (not included in government-wide financial statements).

**Payroll Trust Fund** – This fund accounts for taxes and other employee deductions which are to be distributed to various organizations and other government units.

**Additional Financial Statement Presentation Information** - Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water and sewer enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Village of Springport**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Village reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The Village had no investments at February 28, 2006.

State statutes authorize the Village to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

**Receivables and Payables** – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** – Certain proceeds of the enterprise funds' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements.

**Village of Springport**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and equipment	3 - 12
Infrastructure	10 - 30
Water and sewer distribution and collection	30 - 50

**Compensated Absences** – It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. Sick days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if the obligation is expected to be liquidated from expendable available financial resources. The Village has determined that the amount of accumulated sick days is immaterial and is not recorded in the government-wide financial statements.

**Long-Term Obligations** – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Village of Springport**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Property Taxes** - The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ingham County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Village for 2005 had a taxable value of approximately \$7,700,000 (not including properties subject to Industrial Facilities Tax exemption), representing 50% of estimated current market value. The government's tax rate for fiscal year 2005-06 was 10.9980 mills for general operating, 0.8243 for cemetery operations and 5.5982 for sewer – debt service.

**2. Stewardship, Compliance and Accountability**

The general and special revenue funds are the governmental fund types under formal budgetary control. The Village adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general and special revenue funds budget is presented to Village Council in January, at which time hearings on the budget are scheduled. A Public Hearing is held in February and a special meeting is held to give all elected officials the opportunity to discuss their budget with the Council.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in February.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals. During the current year end certain actual expenditures exceeded budgeted amounts and are disclosed in the required supplementary information section.
- 6) Budgets for the current year are reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Council for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- 7) The Council has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments.

**Village of Springport**  
Notes to Financial Statements

**2. Stewardship, Compliance and Accountability (Continued)**

8) The budgetary information presented has been amended during the year by an official action of the Village Council. The amendments were not significant in total.

9) All budget appropriations lapse at the end of each fund's fiscal year.

**3. Cash and Cash Equivalents**

To facilitate better management of the Village's resources, cash is combined in a pooled operating account for much of the Village's activity.

At year-end, the Village's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Business- Type Funds	Total Primary Government	Fiduciary Funds	Total
Cash and investments	\$ <u>201,981</u>	\$ <u>105,073</u>	\$ <u>307,054</u>	\$ <u>5,352</u>	\$ <u>312,406</u>

The breakdown between deposits and investments for the Village are as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ <u>312,406</u>
---	-------------------

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$188,906 of the Village's bank balance of \$300,663 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Village had no investments at year-end.

**4. Receivables**

Receivables of the governmental activities of the primary government at year ended February 28, 2006, consist of the following:

Other governmental units (primarily the State of Michigan)	\$ 19,780
Taxes	8,197
Other	<u>717</u>
	\$ <u>28,694</u>

**Village of Springport**  
Notes to Financial Statements

**5. Capital Assets**

Capital assets activity for the year ended February 28, 2006 was as follows:

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets being depreciated:				
Machinery and equipment	\$ 300,573	\$ 30,449	\$ -	\$ 331,022
Infrastructure	<u>147,779</u>	<u>-</u>	<u>-</u>	<u>147,779</u>
Total capital assets being depreciated	<u>448,352</u>	<u>30,449</u>	<u>-</u>	<u>478,801</u>
Accumulated depreciation:				
Machinery and equipment	246,749	15,486	-	262,235
Infrastructure	<u>3,694</u>	<u>7,389</u>	<u>-</u>	<u>11,083</u>
Total accumulated depreciation	<u>250,443</u>	<u>22,875</u>	<u>-</u>	<u>273,318</u>
Governmental activities capital assets - net	<u>\$ 197,909</u>	<u>\$ 7,574</u>	<u>\$ -</u>	<u>\$ 205,483</u>

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Construction in progress	<u>\$2,890,237</u>	<u>\$ 303,682</u>	<u>\$ -</u>	<u>\$3,193,919</u>
Capital assets being depreciated:				
Machinery and equipment	19,138	-	-	19,138
Distribution and collection	<u>2,309,293</u>	<u>46,935</u>	<u>-</u>	<u>2,356,228</u>
Total capital assets being depreciated	<u>2,328,431</u>	<u>46,935</u>	<u>-</u>	<u>2,375,366</u>
Accumulated depreciation	<u>741,073</u>	<u>50,636</u>	<u>-</u>	<u>791,709</u>
Total capital assets being depreciated - net	<u>1,587,358</u>	<u>(3,701)</u>	<u>-</u>	<u>1,583,657</u>
Business-type activities capital assets - net	<u>\$4,477,595</u>	<u>\$ 299,981</u>	<u>\$ -</u>	<u>\$4,777,576</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
Public works	\$ 7,389
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>15,486</u>
Total depreciation expense – governmental activities	<u>\$ 22,875</u>

**Village of Springport**  
Notes to Financial Statements

**5. Capital Assets (Continued)**

Business-Type Activities:	
Sewer	\$ 40,672
Water	<u>9,964</u>
Total depreciation expense – business-type activities	\$ <u>50,636</u>

**6 Interfund Receivables, Payables and Transfers**

The Village reports interfund balances between many of its funds. The sum of all interfund receivables/payables presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Receivable</u>	<u>Payable</u>
<b>Due from/to other funds:</b>		
General Fund	\$ 46,983	\$ 104
Major Street Fund	684	777
Local Street Fund	-	1,095
Nonmajor Governmental Funds	-	189
Water Fund	2,994	244
Sewer Fund	-	41,304
Internal Service Fund	-	1,412
Payroll	-	5,536
	<u>\$ 50,661</u>	<u>\$ 50,661</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Transfers:</b>		
Nonmajor Governmental Fund	\$ 24,988	\$ -
Local Street	15,159	-
Major Street	-	10,159
General	-	29,988
	<u>\$ 40,147</u>	<u>\$ 40,147</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Village of Springport**  
Notes to Financial Statements

**7. Long-Term Debt**

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village.

Governmental activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b><u>Governmental Activities:</u></b>					
<b><u>Internal Service Fund</u></b>					
Installment purchase agreements	\$ <u>17,320</u>	\$ <u>11,449</u>	\$ <u>12,095</u>	\$ <u>16,674</u>	\$ <u>8,870</u>

The following is a summary of the general obligation debt outstanding of the Village as of February 28, 2006:

<b><u>Governmental Activities</u></b>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Installment Purchase Agreement	6.25%	2007	\$ 6,255
Installment Purchase Agreement	8.00%	2010	<u>10,419</u>
Total			\$ <u>16,674</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 8,870	\$ 867	\$ 9,737
2008	2,832	522	3,354
2009	3,067	287	3,354
2010	<u>1,905</u>	<u>51</u>	<u>1,956</u>
2010	\$ <u>16,674</u>	\$ <u>1,727</u>	\$ <u>18,401</u>

Business-type activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b><u>Business-Type Activities:</u></b>					
Bonds	\$ <u>1,738,274</u>	\$ <u>-</u>	\$ <u>58,138</u>	\$ <u>1,680,136</u>	\$ <u>64,138</u>

<b><u>Business-Type Activities</u></b>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
1990 Series Bonds	5.90 – 7.15	2009	\$ 100,000
Waste Water Disposal System Bonds	2.50	2020	547,136
2004A Water Revenue Bonds	4.50	2044	910,000
2004B Water Revenue Bonds	4.50	2044	<u>123,000</u>
			\$ <u>1,680,136</u>



**Village of Springport**  
Notes to Financial Statements

**7. Long-Term Debt (Continued)**

Annual debt service requirements to maturity on the above business-type bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 64,138	\$ 66,938	\$ 131,076
2008	68,827	63,905	132,732
2009	68,827	60,815	129,642
2010	69,827	57,711	127,538
2011	45,827	54,565	100,392
2012-2016	256,895	250,212	507,107
2017-2021	295,795	207,857	503,652
2022-2026	115,000	172,356	287,356
2027-2031	144,000	144,094	288,094
2032-2036	178,000	108,634	286,634
2037-2041	218,000	65,074	283,074
2042-2044	155,000	14,176	169,176
Total	<u>\$1,680,136</u>	<u>\$1,266,337</u>	<u>\$2,946,473</u>

**10. Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2006, the Village carried commercial insurance to cover all risks of losses. The Village had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

**11. Contingencies**

The Village is subject to legal action as a normal course of business. However, management, with counsel's assistance, vigorously upholds their position on any such action. The ultimate resolution of these matters is not ascertainable at this time. No provision has been made in the financial statements related to these claims.

**12. Segment Information – Enterprise Funds**

The government issued revenue bonds to finance certain improvements to its water and sewer distribution and treatment systems. Because the Water and Sewer Funds, which are individual funds that account entirely for the government's water distribution and treatment and sewage disposal and treatment activities, are segments, and are reported as major funds in the fund financial statements, segment disclosures herein are not required.

## Required Supplemental Information



**Village of Springport**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Budget to Actual  
General Fund  
Year Ended February 28, 2006

	<b>Budgeted Amounts</b>			<b>Favorable</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>(Unfavorable)</b>
<b>Revenues:</b>				
Taxes	\$ 96,320	\$ 87,214	\$ 90,478	\$ 3,264
Fees and fines	-	87	87	-
Intergovernmental	91,441	91,350	91,991	641
Interest	100	1,218	1,218	-
Other	12,160	5,083	5,332	249
Total revenues	<u>200,021</u>	<u>184,952</u>	<u>189,106</u>	<u>4,154</u>
<b>Expenditures:</b>				
Legislative:				
Council	<u>9,725</u>	<u>7,949</u>	<u>8,451</u>	<u>(502)</u>
General government:				
Village manager	4,731	4,812	4,854	(42)
Clerk	18,380	20,673	20,917	(244)
Treasurer	10,700	10,430	10,431	(1)
Building and grounds	<u>37,950</u>	<u>34,502</u>	<u>31,805</u>	<u>2,697</u>
Total general government	<u>71,761</u>	<u>70,417</u>	<u>68,007</u>	<u>2,410</u>
Public works:				
Public works	70,235	55,723	53,170	2,553
Street lighting	9,200	9,846	10,709	(863)
Refuse collection/disposal	<u>15,300</u>	<u>12,582</u>	<u>12,582</u>	<u>-</u>
Total public works	<u>94,735</u>	<u>78,151</u>	<u>76,461</u>	<u>1,690</u>
Community and economic development				
Planning and zoning	<u>800</u>	<u>435</u>	<u>435</u>	<u>-</u>
Total expenditures	<u>177,021</u>	<u>156,952</u>	<u>153,354</u>	<u>3,598</u>
<b>Revenues Over (Under) Expenditures</b>	<u>23,000</u>	<u>28,000</u>	<u>35,752</u>	<u>7,752</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(23,000)</u>	<u>(28,000)</u>	<u>(29,988)</u>	<u>(1,988)</u>
<b>Net Changes in Fund Balances</b>	-	-	5,764	5,764
<b>Fund Balances - Beginning of Year</b>	<u>141,365</u>	<u>141,365</u>	<u>141,365</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ 141,365</u>	<u>\$ 141,365</u>	<u>\$ 147,129</u>	<u>\$ 5,764</u>

**Village of Springport**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget to Actual  
Major Street Fund  
Year Ended February 28, 2006

	<u>Budgeted Amounts</u>			<u>Favorable</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
<b>Revenues:</b>				
Intergovernmental				
State shared revenue - gas and weight tax	\$ 32,000	\$ 35,922	\$ 36,001	\$ 79
Other				
Interest	50	192	192	-
Total revenues	32,050	36,114	36,193	79
<b>Expenditures:</b>				
Highways and streets:				
Personnel services	7,000	7,883	7,707	176
Payroll taxes	825	638	984	(346)
Employee benefits	1,300	2,183	2,183	-
Professional services	1,500	8,430	5,895	2,535
Insurance and bonds	1,000	720	720	-
Operating supplies	520	122	84	38
Office supplies	80	-	-	-
Repairs and maintenance	3,775	4,603	4,394	209
Equipment rent	4,300	8,309	8,309	-
Miscellaneous	11,750	3,226	155	3,071
Total expenditures	32,050	36,114	30,431	5,683
<b>Revenues Over (Under) Expenditures</b>	-	-	5,762	5,762
<b>Other Financing Sources (Uses):</b>				
Operating transfers out	-	-	(10,159)	(10,159)
<b>Net Changes in Fund Balances</b>	-	-	(4,397)	(4,397)
<b>Fund Balances - Beginning of Year</b>	23,028	23,028	23,028	-
<b>Fund Balances - End of Year</b>	\$ 23,028	\$ 23,028	\$ 18,631	\$ (4,397)

**Village of Springport**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget to Actual  
Local Street Fund  
Year Ended February 28, 2006

	<u>Budgeted Amounts</u>			<u>Favorable</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
<b>Revenues:</b>				
Intergovernmental				
State shared revenue - gas and weight tax	\$ 10,000	\$ 10,582	\$ 10,606	\$ 24
Other				
Interest	20	65	65	-
Total other income	20	65	65	-
Total revenues	10,020	10,647	10,671	24
<b>Expenditures:</b>				
Highways and streets:				
Personnel services	4,500	4,191	4,056	135
Payroll taxes	450	341	590	(249)
Employee benefits	800	896	896	-
Professional services	1,100	20,772	20,636	136
Insurance and bonds	800	720	720	-
Operating supplies	300	62	62	-
Office supplies	30	-	-	-
Repairs and maintenance	2,300	992	992	-
Equipment rent	1,000	1,606	1,606	-
Miscellaneous	100	103	100	3
Total expenditures	11,380	29,683	29,658	25
<b>Revenues Over (Under) Expenditures</b>	(1,360)	(19,036)	(18,987)	49
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	1,360	19,036	15,159	(3,877)
<b>Net Changes in Fund Balances</b>	-	-	(3,828)	(3,828)
<b>Fund Balances - Beginning of Year</b>	11,109	11,109	11,109	-
<b>Fund Balances - End of Year</b>	\$ 11,109	\$ 11,109	\$ 7,281	\$ (3,828)

## **Other Supplemental Information**

**Village of Springport**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
February 28, 2006

	<u>Special Revenue</u>		<u>Capital</u>	<u>Total</u>
	<u>Funds</u>		<u>Project Fund</u>	
	<u>Cemetery</u>	<u>Cemetery</u>	<u>Capital</u>	
	<u>Operations</u>	<u>Trust</u>	<u>Improvements</u>	
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 5,568	\$ 37,284	\$ 24,550	\$ 67,402
Total assets	<u>\$ 5,568</u>	<u>\$ 37,284</u>	<u>\$ 24,550</u>	<u>\$ 67,402</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts payable	\$ 21	\$ -	\$ -	\$ 21
Due to other funds	<u>189</u>	<u>-</u>	<u>-</u>	<u>189</u>
Total liabilities	<u>210</u>	<u>-</u>	<u>-</u>	<u>210</u>
Fund Balances:				
Reserved for perpetual care and endowment	5,358	37,284	-	42,642
Unreserved:				
Unreserved; undesignated	<u>-</u>	<u>-</u>	<u>24,550</u>	<u>24,550</u>
Total fund balances	<u>5,358</u>	<u>37,284</u>	<u>24,550</u>	<u>67,192</u>
Total liabilities and fund balances	<u>\$ 5,568</u>	<u>\$ 37,284</u>	<u>\$ 24,550</u>	<u>\$ 67,402</u>

**Village of Springport**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended February 28, 2006

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	
	<u>Cemetery Operations</u>	<u>Cemetery Trust</u>	<u>Capital Improvements</u>	<u>Total</u>
<b>Revenues:</b>				
Taxes	\$ 5,666	\$ -	\$ -	5,666
Charges for services	6,200	-	-	6,200
Interest	143	-	100	243
Other	<u>343</u>	<u>-</u>	<u>-</u>	<u>343</u>
Total revenues	<u>12,352</u>	<u>-</u>	<u>100</u>	<u>12,452</u>
<b>Expenditures:</b>				
General government	17,222	-	-	17,222
Public works	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
Debt service:				
Total expenditures	<u>17,222</u>	<u>-</u>	<u>6</u>	<u>17,228</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(4,870)</u>	<u>-</u>	<u>94</u>	<u>(4,776)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	<u>3,000</u>	<u>1,988</u>	<u>20,000</u>	<u>24,988</u>
Total other financing sources (uses)	<u>3,000</u>	<u>1,988</u>	<u>20,000</u>	<u>24,988</u>
<b>Changes in Fund Balances</b>	<u>(1,870)</u>	<u>1,988</u>	<u>20,094</u>	<u>20,212</u>
<b>Fund Balances - Beginning of Year</b>	<u>7,228</u>	<u>35,296</u>	<u>4,456</u>	<u>46,980</u>
<b>Fund Balances - End of Year</b>	<u>\$ 5,358</u>	<u>\$ 37,284</u>	<u>\$ 24,550</u>	<u>\$ 67,192</u>



**Village of Springport**  
Schedule of Bonded Indebtedness  
Sewer Fund  
February 28, 2006

**Waste Water Disposal system  
Revenue Bonds - Series 1990**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2006</u>	<u>Interest Payable</u>
1990	\$ 300,000				
		7.100%	11/1/2006	\$ 25,000	\$ 7,125
		7.100%	11/1/2007	25,000	5,350
		7.150%	11/1/2008	25,000	3,575
		7.150%	11/1/2009	25,000	1,788
				<u>\$ 100,000</u>	<u>\$ 17,838</u>

**Michigan Municipal Bond Authority  
Revenue Bonds - Series 1999**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2006</u>	<u>Interest Payable</u>
1999	\$ 689,687				
		2.500%	4/1/2006	\$ 28,138	\$ 13,327
		2.500%	4/1/2007	32,827	12,565
		2.500%	4/1/2008	32,827	11,744
		2.500%	4/1/2009	32,827	10,923
		2.500%	4/1/2010	32,827	10,103
		2.500%	4/1/2011	32,827	9,282
		2.500%	4/1/2012	37,517	8,403
		2.500%	4/1/2013	37,517	7,465
		2.500%	4/1/2014	37,517	6,527
		2.500%	4/1/2015	37,517	5,589
		2.500%	4/1/2016	37,517	4,651
		2.500%	4/1/2017	42,206	3,653
		2.500%	4/1/2018	42,206	2,599
		2.500%	4/1/2019	42,205	1,544
		2.500%	4/1/2020	40,661	508
				<u>\$ 547,136</u>	<u>\$ 108,883</u>

**Village of Springport**  
Schedule of Bonded Indebtedness  
Water Fund  
February 28, 2006

**Water Revenue Bonds  
Series 2004B**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2006</u>	<u>Interest Payable</u>
2004	\$ 928,000				
		4.500%	1/1/2007	\$ 10,000	\$ 40,950
		4.500%	1/1/2008	10,000	40,500
		4.500%	1/1/2009	10,000	40,050
		4.500%	1/1/2010	11,000	39,600
		4.500%	1/1/2011	11,000	39,106
		4.500%	1/1/2012	12,000	38,610
		4.500%	1/1/2013	12,000	38,070
		4.500%	1/1/2014	13,000	37,530
		4.500%	1/1/2015	13,000	36,946
		4.500%	1/1/2016	14,000	36,360
		4.500%	1/1/2017	15,000	35,730
		4.500%	1/1/2018	15,000	35,056
		4.500%	1/1/2019	16,000	34,380
		4.500%	1/1/2020	17,000	33,660
		4.500%	1/1/2021	18,000	32,896
		4.500%	1/1/2022	18,000	32,086
		4.500%	1/1/2023	19,000	31,276
		4.500%	1/1/2024	20,000	30,420
		4.500%	1/1/2025	21,000	29,520
		4.500%	1/1/2026	22,000	28,576
		4.500%	1/1/2027	23,000	27,586
		4.500%	1/1/2028	24,000	26,550
		4.500%	1/1/2029	25,000	25,470
		4.500%	1/1/2030	26,000	24,346
		4.500%	1/1/2031	28,000	23,176
		4.500%	1/1/2032	29,000	21,916
		4.500%	1/1/2033	30,000	20,610
		4.500%	1/1/2034	31,000	19,260
		4.500%	1/1/2035	32,000	17,866
		4.500%	1/1/2036	34,000	16,426
		4.500%	1/1/2037	35,000	14,896
		4.500%	1/1/2038	37,000	13,320
		4.500%	1/1/2039	39,000	11,656
		4.500%	1/1/2040	40,000	9,900
		4.500%	1/1/2041	42,000	8,100
		4.500%	1/1/2042	44,000	6,210
		4.500%	1/1/2043	46,000	4,230
		4.500%	1/1/2044	48,000	2,160
				<u>\$ 910,000</u>	<u>\$ 1,005,000</u>

**Village of Springport**  
Schedule of Bonded Indebtedness  
Water Fund  
February 28, 2006

**Water Revenue Bonds  
Series 2004A**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2006</u>	<u>Interest Payable</u>
2004	\$ 125,000				
		4.500%	1/1/2007	\$ 1,000	\$ 5,536
		4.500%	1/1/2008	1,000	5,490
		4.500%	1/1/2009	1,000	5,446
		4.500%	1/1/2010	1,000	5,400
		4.500%	1/1/2011	2,000	5,356
		4.500%	1/1/2012	2,000	5,266
		4.500%	1/1/2013	2,000	5,176
		4.500%	1/1/2014	2,000	5,086
		4.500%	1/1/2015	2,000	4,996
		4.500%	1/1/2016	2,000	4,906
		4.500%	1/1/2017	2,000	4,816
		4.500%	1/1/2018	2,000	4,726
		4.500%	1/1/2019	2,000	4,636
		4.500%	1/1/2020	2,000	4,546
		4.500%	1/1/2021	2,000	4,456
		4.500%	1/1/2022	3,000	4,366
		4.500%	1/1/2023	3,000	4,230
		4.500%	1/1/2024	3,000	4,096
		4.500%	1/1/2025	3,000	3,960
		4.500%	1/1/2026	3,000	3,826
		4.500%	1/1/2027	3,000	3,690
		4.500%	1/1/2028	3,000	3,556
		4.500%	1/1/2029	4,000	3,420
		4.500%	1/1/2030	4,000	3,240
		4.500%	1/1/2031	4,000	3,060
		4.500%	1/1/2032	4,000	2,880
		4.500%	1/1/2033	4,000	2,700
		4.500%	1/1/2034	4,000	2,520
		4.500%	1/1/2035	5,000	2,340
		4.500%	1/1/2036	5,000	2,116
		4.500%	1/1/2037	5,000	1,890
		4.500%	1/1/2038	5,000	1,666
		4.500%	1/1/2039	5,000	1,440
		4.500%	1/1/2040	5,000	1,216
		4.500%	1/1/2041	5,000	990
		4.500%	1/1/2042	5,000	766
		4.500%	1/1/2043	6,000	540
		4.500%	1/1/2044	6,000	270
				<u>\$ 123,000</u>	<u>\$ 134,616</u>



May 1, 2006

Members of Village Council  
Village of Springport  
Springport, Michigan

We have audited the financial statements of the Village of Springport for the year ended February 28, 2006, and have issued our report thereon dated May 1, 2006.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

---

**WILLIS & JURASEK, P.C.**

2545 Spring Arbor Road  
Post Office Box 39  
Jackson, Michigan 49204-0039

Phone Number: (517) 788-8660  
Fax Number: (517) 788-9872  
E-mail: [willis@willispc.com](mailto:willis@willispc.com)  
Web site: [www.willispc.com](http://www.willispc.com)

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded during the current year.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Village's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year end.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

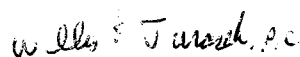
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the Village Council and management of the Village and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Willis & Jurasek, P.C.

**Village of Springport**  
Comments and Recommendations  
Year Ended February 28, 2006

Journal Entries and Year End Adjustments

Quite a few journal entries were needed at year end, however, none of the entries affected the reconciled cash balances. Many of the entries dealt with depreciation and reversing receivable and recording current year receivables and payables. We have discussed many of these with current Management and feel that significant improvement can be made in future years. Most of the entries could be recorded prior to the audit by the Village staff. We intend to be in communication with the Village staff during the year and prior to next years audit to help ensure improvement in this area.

Budget to Actual Results

The Village maintains and adopts an annual budget and makes amendments during the year. During the year ended February 28, 2006 there were a few areas where actual expenditures exceeded final budgets amounts. Some of these were the results of audit adjustments made at year end.

Segregation of Duties:

Due to the limited size of the Village of Springport proper segregation of duties is not always possible. While the size and resources of the Village are limited in terms of providing adequate separation of duties, the Board should be mindful of this condition and, where possible, establish reasonable control procedures.

May 1, 2006

Members of Village Council  
Village of Springport  
Springport, Michigan

We have audited the financial statements of the Village of Springport for the year ended February 28, 2006, and have issued our report thereon dated May 1, 2006.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded during the current year.

#### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Village's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year end.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the Village Council and management of the Village and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Willis & Jurasek, P.C.



**Village of Springport**  
Comments and Recommendations  
Year Ended February 28, 2006

Journal Entries and Year End Adjustments

Quite a few journal entries were needed at year end, however, none of the entries affected the reconciled cash balances. Many of the entries dealt with depreciation and reversing receivable and recording current year receivables and payables. We have discussed many of these with current Management and feel that significant improvement can be made in future years. Most of the entries could be recorded prior to the audit by the Village staff. We intend to be in communication with the Village staff during the year and prior to next years audit to help ensure improvement in this area.

Budget to Actual Results

The Village maintains and adopts an annual budget and makes amendments during the year. During the year ended February 28, 2006 there were a few areas where actual expenditures exceeded final budgets amounts. Some of these were the results of audit adjustments made at year end.

Segregation of Duties:

Due to the limited size of the Village of Springport proper segregation of duties is not always possible. While the size and resources of the Village are limited in terms of providing adequate separation of duties, the Board should be mindful of this condition and, where possible, establish reasonable control procedures.